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21 December 1981

MEMORANDUM FOR:

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Assistant NIO for East Asia

SUBJECT : Response to CINCPAC Cable,
"Preparing for 1984 Review
of the Military Bases Agreement"

1. The CINCPAC assessment regarding the 1984 Review of the Military Bases Agreement might want to take note of several political factors likely to influence the negotiations. Compensation questions will probably dominate Philippine negotiating strategy, while sovereignty questions will be less important.

2. Compensation will be the major issue during the bases negotiations largely because of the country's current economic woes: high rates of un- and underemployment, double-digit inflation, and a burgeoning foreign debt. Imelda Marcos' Ministry of Human Settlements probably sees ESF or similar funds as an easy source of financing for its overambitious social development schemes. Money is likely to be an issue for the military too, as the defense budget has declined in real terms, while there has been a significant increase in Communist insurgent activity.

3. The negotiations are likely to be held in an atmosphere of rising nationalist sentiment, highlighted by political debates during the scheduled 1984 parliamentary elections. Left-wing opposition politicians use US-Philippine relations as a convenient whipping boy for all of Manila's problems. They claim the bases agreement can only drag the Philippines into future nuclear conflicts between the super-powers. The government may use increasing pressure from the left, especially the Communist insurgency, as a pretext for demanding more military assistance. Marcos would probably avoid further exacerbating the domestic political situation by refusing to extend the bases agreement beyond 1991.

4. Any inclusion of Defense Minister Enrile in security discussions could result in raising hackles at Malacanang Palace. His participation might better be broached informally

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with President Marcos before any action is taken. Enrile's longstanding disagreements with the First Lady are well-known and quite deep. An increase in his stature could alienate Imelda and raise the financial demands of her Ministry of Human Settlements.



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